

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	Looking Glass Regional Fire Aut	County	CLINTON	Type	AUTHORITY	MuniCode	19-7-513
Opinion Date	6/27/2008	Audit Submitted	6/30/2008	Fiscal Year	12/31/2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 511,279.00
General Fund Expenditure:	\$ 577,253.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,694,411.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Vickie	Last Name	Crouch	Ten Digit License Number	1101013436	
CPA Street Address	1000 Coolidge Road	City	East Lansing	State	MI	
				Zip Code	48823	
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					Zip Code	48837

LOOKING GLASS REGIONAL FIRE AUTHORITY
CLINTON COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
AND
INDEPENDENT AUDITORS' REPORT

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Looking Glass Regional Fire Authority
Grand Ledge, Michigan

We have audited the accompanying financial statements of the business-type activities of Looking Glass Regional Fire Authority as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Looking Glass Regional Fire Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Looking Glass Regional Fire Authority as of December 31, 2007 and 2006, and the respective changes in financial position thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 3 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2008, on our consideration of Looking Glass Regional Fire Authority's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audits.


Certified Public Accountants

East Lansing, Michigan
June 27, 2008

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LOOKING GLASS REGIONAL FIRE AUTHORITY

Management's Discussion and Analysis

Using This Report

The annual report consists of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. Along with the footnotes, they provide detailed financial information concerning the Authority. This section, the Management's Discussion and Analysis, is intended to provide an overview of the Authority's financial condition, results of operations, and other key information.

Financial Overview

In analyzing the Authority's financial position, it is important to recognize the purpose of the Authority. The Authority was formed in October 2001 to operate, maintain, administer, and manage a joint fire department for the benefit of constituent municipalities, both Watertown Charter Township and Eagle Township. The Authority's income primarily comes in as contributions and service contract payments from Watertown Charter Township (65%) and Eagle Township (35%). In 2007 the Authority installed a traffic light, at a cost of \$30,991, which is owned by the Clinton County Road Commission

The following table shows the major components of net assets for December 31, 2007 and 2006:

	2007	2006
Capital assets	\$ 1,650,435	\$ 1,749,751
Other assets	<u>73,320</u>	<u>74,910</u>
Total Assets	1,723,755	1,824,661
Liabilities	29,344	31,974
Net assets		
Invested in capital assets:		
Land	107,100	107,100
Equipment, net	<u>1,543,335</u>	<u>1,642,651</u>
Invested in capital assets	1,650,435	1,749,751
Restricted for equipment	12,575	9,604
Unrestricted		
Prepaid expenses	4,792	1,031
Available	<u>26,609</u>	<u>32,301</u>
Unrestricted	<u>31,401</u>	<u>33,332</u>
Total net assets	<u>\$ 1,723,755</u>	<u>\$ 1,792,687</u>

LOOKING GLASS REGIONAL FIRE AUTHORITY

Management's Discussion and Analysis

(Available unrestricted net assets would be divided 65/35 Watertown Township; \$17,296/Eagle Township; \$9,313 for 2007.)

Financial Overview – Continued

The following table shows the major components of the (decrease) increase in net assets for 2007 and 2006:

	2007	2006
Watertown Charter Township Contributions/ Charges for Services	\$ 324,896	\$ 281,905
Eagle Township Contributions/Charges for Services	174,944	151,795
Interest	1,242	1,242
Contributions/Donation/Refunds	10,197	14,248
Return of excess contributions	(32,302)	(6,914)
Expenses	(<u>577,253</u>)	(<u>527,685</u>)
Change in net assets	\$(<u>98,276</u>)	\$(<u>85,409</u>)

Capital Assets

Capital Assets, consisting of land, building, equipment and vehicles for a new station were added during 2007 and 2006 in the amounts of \$8,277 and \$0, respectively.

Current Year Impact on Expenses

In 2007, there was an emergency traffic light installed at the entrance of the fire station for \$30,991. This light is owned and maintained by the Clinton County Road Commission. The Authority will be responsible for the monthly electric bills.

Contacting the Authority's Management

This financial report is intended to provide the participating Townships with a general overview of the accountability for the money the Authority receives. If you have any question about this report, the Authority may be contacted for additional information.

LOOKING GLASS REGIONAL FIRE AUTHORITY
STATEMENTS OF NET ASSETS

	DECEMBER 31,	
	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 67,628	\$ 73,879
Accounts receivable	900	
Prepaid expenses	4,792	1,031
TOTAL CURRENT ASSETS	<u>73,320</u>	<u>74,910</u>
CAPITAL ASSETS		
Capital assets not being depreciated	107,100	107,100
Other capital assets, net of depreciation	1,543,335	1,642,651
TOTAL CAPITAL ASSETS	<u>1,650,435</u>	<u>1,749,751</u>
TOTAL ASSETS	<u><u>\$ 1,723,755</u></u>	<u><u>\$ 1,824,661</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,244	\$ 8,009
Accrued payroll and related items	20,100	23,965
TOTAL CURRENT LIABILITIES	<u>29,344</u>	<u>31,974</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,650,435	1,749,751
Restricted for equipment	12,575	9,604
Unrestricted	31,401	33,332
TOTAL NET ASSETS	<u>1,694,411</u>	<u>1,792,687</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,723,755</u></u>	<u><u>\$ 1,824,661</u></u>

See accompanying notes to financial statements.

LOOKING GLASS REGIONAL FIRE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	FOR THE YEARS ENDED DECEMBER 31,	
	2007	2006
OPERATING EXPENSES		
Salaries and related expenses	\$ 280,469	\$ 252,332
Employee benefits/programs	66,231	60,928
Contracted services	1,950	3,903
Operating expense	11,238	9,242
Accounting fees	9,655	9,310
Advertising	707	772
Board expenses		112
Insurance	11,414	11,024
Supplies	7,806	7,939
Turnout gear	4,530	4,328
Training	3,881	12,581
Repairs and maintenance	43,482	9,457
Utilities	13,099	12,700
Depreciation	107,593	107,054
Miscellaneous	15,198	26,003
TOTAL OPERATING EXPENSES	<u>577,253</u>	<u>527,685</u>
OPERATING REVENUES		
Operating contributions	499,840	433,700
Capital contributions and grants	9,450	11,834
Miscellaneous	747	2,414
TOTAL OPERATING REVENUES	<u>510,037</u>	<u>447,948</u>
NET LOSS FROM OPERATIONS	<u>(67,216)</u>	<u>(79,737)</u>
NONOPERATING REVENUES (EXPENSES)		
Return of excess contributions to Townships	(32,302)	(6,914)
Investment income	1,242	1,242
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(31,060)</u>	<u>(5,672)</u>
CHANGE IN NET ASSETS	(98,276)	(85,409)
NET ASSETS, JANUARY 1	<u>1,792,687</u>	<u>1,878,096</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 1,694,411</u></u>	<u><u>\$ 1,792,687</u></u>

See accompanying notes to financial statements.

LOOKING GLASS REGIONAL FIRE AUTHORITY
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers, contributions and grants	\$ 9,297	\$ 14,248
Cash received from operating contributions	499,840	433,700
Cash payment for goods and services	(145,817)	(118,462)
Cash payment for employees	(330,234)	(296,753)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>33,086</u>	<u>32,733</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(8,277)	
Return of excess contributions	(32,302)	(6,914)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(40,579)</u>	<u>(6,914)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>1,242</u>	<u>1,242</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,251)	27,061
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>73,879</u>	<u>46,818</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 67,628</u></u>	<u><u>\$ 73,879</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ <u>(67,216)</u>	\$ <u>(79,737)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	107,593	107,054
(Increase) decrease in accounts receivable	(900)	
(Increase) decrease in prepaid expenses	(3,761)	7,762
Increase (decrease) in accounts payable	1,235	9
Increase (decrease) in accrued expenses	(3,865)	(2,355)
Total adjustments	<u>100,302</u>	<u>112,470</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 33,086</u></u>	<u><u>\$ 32,733</u></u>

See accompanying notes to financial statements.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Looking Glass Regional Fire Authority (the Authority) was established by the Township of Eagle and the Charter Township of Watertown. The Authority was incorporated in October 2001, under the provisions of Act 7, Public Acts of 1967, known as the Urban Cooperation Act of 1967. The Authority is governed by a board composed of the residents of each of the constituent Townships. The Authority was formed to operate, maintain, administer, and manage a joint fire department for the benefit of constituent municipalities.

The accounting policies of Looking Glass Regional Fire Authority conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments*, issued in June, 1999.

B. Basis of Accounting

The accounts of Looking Glass Regional Fire Authority are organized as an Enterprise Fund, which is used to account for its operations as a provider of fire services.

The accrual basis of accounting is used to account for the operations of this Enterprise Fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of the related cash flows.

C. Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

D. Accounts Receivable

The Authority's accounts receivable are comprised of amounts due from the participating townships stated at invoice amounts. The Authority has determined no allowance for uncollectible amounts is necessary.

E. Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The Authority has a \$2,000 capitalization policy. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method based on the estimated useful lives, which range from 5 to 39 years.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2007 AND 2006

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Concluded

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2: **PROPERTY, PLANT AND EQUIPMENT**

Cost of property, plant, and equipment and depreciable lives are summarized as follows:

	JANUARY 1, 2007	ADDITIONS	RETIREMENTS AND TRANSFERS	DECEMBER 31, 2007	DEPRECIABLE LIFE
Capital assets not being depreciated:					
Land	\$ <u>107,100</u>	\$ _____	\$ _____	\$ <u>107,100</u>	
Capital assets being depreciated:					
Fire station	1,148,794			1,148,794	39 years
Vehicles	547,497			547,497	15 years
Communication equipment	26,165			26,165	10 years
Shop equipment	28,094	6,958		35,052	7-15 years
Office equipment	51,155	1,319		52,474	5-12years
Fire fighting equipment	<u>187,144</u>	_____	_____	<u>187,144</u>	7-10 years
Total capital assets being depreciated	<u>1,988,849</u>	<u>8,277</u>	_____	<u>1,997,126</u>	
Total capital assets	2,095,949			2,095,949	
Less: accumulated depreciation	<u>346,198</u>	<u>107,593</u>	_____	<u>453,791</u>	
Net carrying amount	\$ <u><u>1,749,751</u></u>	\$ (<u><u>99,316</u></u>)	\$ _____	\$ <u><u>1,650,435</u></u>	

LOOKING GLASS REGIONAL FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2007 AND 2006

NOTE 2: PROPERTY, PLANT AND EQUIPMENT - Concluded

	JANUARY 1, 2006	ADDITIONS	RETIREMENTS AND TRANSFERS	DECEMBER 31, 2006	DEPRECIABLE LIFE
Capital assets not being depreciated:					
Land	\$ <u>107,100</u>	\$ _____	\$ _____	\$ <u>107,100</u>	
Capital assets being depreciated:					
Fire station	1,148,794			1,148,794	39 years
Vehicles	547,497			547,497	15 years
Communication equipment	26,165			26,165	10 years
Shop equipment	28,094			28,094	7-15 years
Office equipment	51,155			51,155	5-12 years
Fire fighting equipment	<u>187,144</u>	_____	_____	<u>187,144</u>	7-10 years
Total capital assets being depreciated	<u>1,988,849</u>	_____	_____	<u>1,988,849</u>	
Total capital assets	2,095,949			2,095,949	
Less: accumulated depreciation	<u>239,144</u>	<u>107,054</u>	_____	<u>346,198</u>	
Net carrying amount	\$ <u>1,856,805</u>	\$ (<u>107,054</u>)	\$ _____	\$ <u>1,749,751</u>	

NOTE 3: DEPOSITS

The Authority's cash and cash equivalents consist of bank deposits. The carrying amount at December 31, 2007 and 2006 was \$67,628 and \$73,879, respectively. The bank balance for December 31, 2007 and 2006 was \$70,545 and \$92,366, respectively. Of these amounts, \$70,545 and \$92,366, respectively, were insured by the Federal Deposit Insurance Corporation. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution it deposits Authority funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Authority has adopted a formal investment policy as required by Act 201, P.A. 1943 as amended, that complies with state law. The Authority has followed this policy.

LOOKING GLASS REGIONAL FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS - Concluded
DECEMBER 31, 2007 AND 2006

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, error and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in the past three years.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Annual Pension Cost

For year ended December 31, 2006 the Authority's annual pension cost of \$12,575 for the plan was equal to the Authority's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

	FISCAL YEAR ENDED DECEMBER 31, 2006
Annual pension cost	\$ 12,575
Percentage of APC contributed	100%
Net pension obligation	13,536
Actuarial value of assets	41,657
Actuarial Accrued Liability (entry age)	49,325
Unfunded Actuarial Accrued Liability	7,668
Funded ratio	84.0%
Covered payroll	140,738
UAAL as a percentage of covered payroll	5.4%



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Looking Glass Regional
Fire Authority
Grand Ledge, Michigan

We have audited the accompanying financial statements of the business-type activities of Looking Glass Regional Fire Authority as of and for the year ended December 31, 2007, which collectively comprise Looking Glass Regional Fire Authority's basic financial statements and have issued our report thereon dated June 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Looking Glass Regional Fire Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Looking Glass Regional Fire Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Looking Glass Regional Fire Authority in a separate letter dated June 27, 2008.

This report is intended solely for the information and use of the audit committee, others within the organization, Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

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Certified Public Accountants

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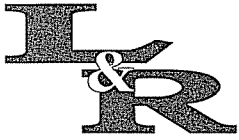
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East Lansing, Michigan
June 27, 2008



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Directors
Looking Glass Regional Fire Authority
Grand Ledge, Michigan

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We have examined the financial statements of LOOKING GLASS REGIONAL FIRE AUTHORITY, for the year ended December 31, 2007, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of Looking Glass Regional Fire Authority. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of Looking Glass Regional Fire Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our tests of the internal control procedures included evaluations of randomly selected samples of transactions from payroll, cash disbursements and cash receipts. Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

PRIOR YEAR RECOMMENDATIONS

CASH DISBURSEMENTS

Currently, paid invoices can be distinguished from unpaid invoices only by check stubs that are attached to paid invoices. It is possible for the check stubs to become detached from paid invoices, thus allowing such invoices to be inadvertently paid a second time. This possibility may be avoided by canceling paid invoices with a rubber stamp denoting "PAID", or writing "PAID" on the paid invoices. The check number and date paid should also be written on the paid invoices. This will ensure proper cancellation of invoices after payment, and help prevent double payment of invoices. **This recommendation has been implemented.**

PRIOR YEAR RECOMMENDATIONS - Concluded

CASH DISBURSEMENTS - Concluded

We noted during our testing, instances where the source document for payment was a copy of an invoice. We recommend paying only from original invoices. This will help to reduce theft and fraud. This will also help to prevent duplicate payment of an invoice. **This recommendation has been implemented.**

PAYROLL

We noted during our testing, instances where employee payroll deductions were not supported by the appropriate documentation. While to our knowledge there were no accounting errors as a result of this, complete and current personnel files containing support for all payroll deductions should be established and maintained for each employee. We recommend that personnel files be reviewed for all existing employees and that proper supporting documentation, signed by the employee, be obtained for all payroll deductions. **This recommendation has been implemented.**

We noted during our testing, instances where the withholding exemptions per the W-4 in the personnel files did not agree to the exemptions withheld. Maintaining current personnel files is an important internal control and it is critically important in substantiating deductions from payroll. We recommend that a new W-4 be completed by the employees each time they request a change in their withholding exemptions. If an employee does not request any changes for several years, a new W-4s should be obtained at least every three years. This will ensure that current federal and state withholding tax forms are completed and on file and will provide complete and current personnel files. **This recommendation has been implemented.**

CURRENT YEAR RECOMMENDATIONS

CASH DISBURSEMENTS

In the course of our audit, we noted an instance where the account coding of cash disbursements as noted on the approved supporting documentation was different from where the disbursements were actually recorded in the general ledger. Approval of vendor invoices for goods and services is a critical element of any internal control structure. Once such approval is obtained, there should be no alteration of the information in recording into the accounting system. We recommend that a policy be established requiring that any changes to the coding of cash disbursements from what was originally documented and approved be appropriately modified with evidence of the necessary authorization on the underlying supporting documentation.

We are grateful to the Authority employees for their assistance and cooperation extended to us during the audit.

Very truly yours,



Certified Public Accountants

East Lansing, Michigan
June 27, 2008